

Town of Colchester Interoffice Memorandum

To: Mary Bylone, First Selectman
From: James Paggioli, Director of Public Works
CC:
Date: May 20, 2021
Re: Electricity Procurement Recommendation

Over the last 6 months I have been researching the wholesale market for Electricity Suppliers for the Town of Colchester and Board of Education Facilities with the assistance of Chris Jordan of DelMac Consulting. The existing electricity generation contract is set to expire in January 2021. The price per kWh for the existing contract is 5.99 cents/kWh and was established in January of 2018. With the present Eversource generation rate of 8.192 ¢/kWh for the six months from 1/2022 and the current online market place for Rate 30 and 35 ranging from 8.29 to 9.46 ¢/kWh for long term fixed contracts, the need to lock in a fixed future rate below open marketplace for 3 to 4 years is the best interest of the Town.

The general electrical supply market has begun to rise and most of the retail market has only been willing to provide for short term guarantees for the fixed cost per kilo-watt hour. The contracts are generally determined by spot market conditions in regard to energy cost and supply excesses and other factors. The portfolio of Town and BOE electric account were shopped on the open wholesale market as previously done in 2013 and 2017. The initial solicitation was sent to all providers of wholesale electrical supply that serve the ISO New England grid. The two wholesale providers that are interested in the Town's portfolio are Constellation Energy and EDF. (EDF is the Town's current provider. As with the existing contract, DelMac was returned with two suppliers that provided the most advantageous pricing.

Monitoring of the trending of rates over the last 6 months, industry trends has consistently shown that EDF has provided the least expensive fixed rate per kWh and has offered terms that are most favorable for the Town to pursue. These include fixed terms out to 48 months, and no minimum usage, and a 20% increase in power if necessary (this portion is highly unlikely). The existing market place is anticipating rates to increase annually as inflation is beginning to resurface and as further environmental conditions are placed upon suppliers. As with all suppliers to the ISO New England Grid serving Connecticut, EDF conforms the State of Connecticut's required percentages of Green/Renewable energy for its supply.

The 2013 contract kWh charge for the three year fixed contract was 7.9250¢/kWh,
The existing 2017 contract kWh charge for the four year fixed contract was 5.99¢/kWh
The proposed rate quoted for the 47 month term is 6.708 ¢/kWh.

I have attached a previous sample contract for reference.

There is no direct cost to the Town for the consulting services provided by DelMac Consulting, with their fees being paid for by the electrical suppliers exclusively.

At this point I would recommend that the Town of Colchester enter into a contract with EDF. to be the Electrical supplier for the Town of Colchester and Colchester School District facilities for a 47 month year term beginning in January of 2022 and continuing until December of 2025, incorporating the daily Confidential Price Proposal into the contract with the associated Conditions and that the First Selectman be authorized to sign any necessary documents as applicable.

Proposed Motion: That the Town of Colchester enter into a contract with EDF. to be the Electrical supplier for the Town of Colchester and Colchester School District facilities for a 47 month year term beginning in January of 2022 and continuing until December of 2025, incorporating the daily Confidential Price Proposal into the contract with the associated Conditions and that the First Selectman be authorized to sign any necessary documents as applicable.